



MEMORANDUM

TO: BELLINGHAM CITY COUNCIL
FROM: MAYOR KIM LUND
CC: DEPARTMENT HEADS
SUBJECT: 2025 PROPOSED BUDGET
DATE: SEPTEMBER 30, 2025

The annual budget process is now well underway and with this memo, I present to you my proposed 2025 budget. It is a more responsible budget than the previously adopted biennial budget -- one that seeks to arrest deficit spending and maintain services while we develop strategies to put the City in a stronger financial position in the coming years. It reflects hard decisions, made in collaboration with the City's leadership team, and is reflective of our commitment to a one-City approach and our newly adopted financial policies.

The City's budget should reflect our community's values. My proposed budget expresses my vision for our City being among the best cities in the nation, with excellent government in service to our community and strong fiscal stewardship of public dollars. A few strategic investments included in my proposed budget are highlighted below.

Public safety proposals

- Adding two new officers to support the return of our Police specialty units, including the downtown bike patrol.
- Adding one new Fire inspector to increase our ability to proactively inspect and identify fire risks and reduce the time to complete the construction permitting process.
- Committing to investing in a new public safety strategic plan to identify needs for our current and future level of service goals and an exploration of long-term funding options to support these needs.
- Fully funding our ongoing investments to the Justice Project Implementation Plan goals that support alternative response and justice programs, including ART, GRACE, HOT, WREC, and other existing interventions. In addition, earlier this year, we added a Strategic Initiatives Manager to support the Justice Project Implementation Plan and to better coordinate our health and human services responses.
- Adding a prosecutor position to support the new therapeutic Community Court currently under development in Bellingham Municipal Court.
- Making a \$1 million contribution to the Whatcom County 23-hour Crisis Relief Center using the City's opioid settlement funds.

Internal services, systems and people

I am committed to supporting the internal services, systems and importantly, the people that allow the City to effectively and efficiently deliver outstanding services to the public. Yet -- at this time of significant revenue shortfalls -- we have a legacy of debt now coming due in these areas, including critical technology needs, compounding impacts from deferred investments in our facilities, and aging infrastructure throughout the City. My administration is committed to the hard work that will be required to address these ongoing challenges, beginning with this budget. My proposed budget includes:

- Maintaining high levels of funding for our facilities, fleet and information technology services.
- Directing significant resources to fund the critical replacement of our essential, but obsolete, enterprise-wide human resources technology system. Implementing a modern system will be a powerful tool to streamline processes, reduce organizational silos, enhance engagement across the organization, and increase access to meaningful data to guide decision making.
- Adding a security position to support and enhance employee and public safety at City Hall and the Central Library.
- Creating much-needed capacity in the Legal Department by shifting public records disclosure compliance to the City Clerk and adding a utility-funded civil attorney.
- Bolstering the General Fund by reducing the percentage of General Fund revenues currently directed to the Street Fund from 37 percent to 32 percent.

Non-General Fund resources directed to priorities

While the General Fund is in a challenging financial situation, other City resources retain the capacity for us to make meaningful investments in priorities, including:

- Making significant investments in housing. Our voter-approved Affordable Housing Levy and Affordable Housing Sales Tax allows us to invest millions annually towards housing security across the continuum of need.
- Moving our climate work forward by seeking and accepting grants to support this important work in the face of limited resources.
- Investing and stewarding our beloved parks and trails with voter-approved Greenways Levy funds.
- Investing our voter-approved Transportation Fund resources in roads, bikes and pedestrian infrastructure.
- Applying state and federal grants along with Real Estate Excise Tax to enable further investments in major infrastructure.
- Cleaning up the legacy of pollution on our industrial waterfront -- supporting dramatic reshaping and increasing access to our prime waterfront -- with funding from state grants and Solid Waste Tax revenues. My budget proposes an increase in solid waste

tax from 11.5 percent to 17.25 percent to support this critical work and other solid waste funding needs.

My administration began developing this budget with a multi-million-dollar ongoing General Fund deficit. Flattening and potentially declining revenues have exacerbated this gap. To produce a more balanced budget with minimal deficits, this proposed budget leverages creative uses of existing resources and employs targeted reductions to provide short-term budget relief, while allowing for strategic investments in priority programs and minimally impacting the delivery of services.

However, it is important to emphasize that this budget is but a temporary bridge to a more financially stable future. Many of the revenue strategies it employs are not long-term solutions. The financial gap that exists cannot be filled by economic growth alone; there remains a disconnect between the City's level of service and its available resources. Going forward, my administration, the City Council and the community will need to work together to establish new, sustainable and flexible revenues or make difficult decisions to reduce services.

My vision is that we endeavor to be an excellent government creating enduring public good in service to the community we love. Right now, excellence in government means being responsible stewards of constrained public dollars, while making progress on key community priorities and much-needed investments in the people that work here. City Council members have a crucial role to play and I invite you all to be active partners in this work.

I look forward to discussing this budget with you in greater detail over the coming weeks and working together to establish a stable financial future for the City.